

**2022 SUBMISSION TO THE STANDING COMMITTEE ON CANADIAN HERITAGE BY
THE CANADIAN COMMERCIAL THEATRE LEAGUE AND MIRVISH PRODUCTIONS ON RELIEF AND
SUPPORT FOR THE COMMERCIAL THEATRE SECTOR IN CANADA**
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The live commercial theatre industry in Canada is made up of independent producers, producing organizations, presenters and investors who generate and support the creation of new theatrical work, and in the process employ thousands of artists, crew members, ushers and administrative staff; support the not-for-profit sector by financially enhancing productions in these theatres; and provide indirect employment to hotels, restaurants, and local retail.

Productions, co-productions and presentations include *Come From Away*, *Harry Potter and the Cursed Child*, *Hamilton*, *2 Pianos 4 Hands*, *Grow*, *Matilda*, *The 7 Fingers*, *Kinky Boots*, *We Will Rock You*, *My Mother's Lesbian Jewish Wiccan Wedding*, *Da Kink in My Hair* and many others.

KEY FACTS

- Commercial Theatre Producers generate the highest paying jobs in the live performing arts industry in accordance with collectively bargained union fees
- Commercial Theatre productions generate spending in two key periods:
 - 1. The Production Period: Production Capitalization for a large-scale commercial production in Canada is between \$8mm and \$28mm
 - **This is all private money that is injected into the economy**
 - Approximately 40% of the capitalization represents labour expenses, directly supporting members of Canadian Actors' Equity Association, Local 58 IATSE (Stagehands), Local 823 IATSE (Wardrobe/Hair-Makeup), the Musicians' Associations, the Associated Designers of Canada and other unionized and non-unionized labour
 - 2. The Weekly Operating Period: Weekly Operating Costs can run between \$350,000 to \$850,000 each week of an engagement
 - Approximately 50% of Weekly Operating Costs represent labour expenses
 - **The only source of revenue to meet these Weekly Operating Costs is ticket revenue**

INDUSTRY OVERVIEW – AUDIENCE SPENDING

- In 2019
 - 1,859,030 Canadians attended a commercial theatre production¹
 - Audiences spent \$160,283,759 on their tickets alone
 - \$19,087,022 was generated in tax revenue

¹ Data included represents a portion of the Canadian Commercial Theatre Sector; actual numbers would be higher

- Audiences spent an additional \$1b on travel, hotel, restaurants, parking and retail²

WHERE WE ARE

The coronavirus pandemic plunged our industry into full-fledged crisis nearly two years ago.

As of the date of this note, live theatre production, with the exception of Saskatchewan, is once again shut down or subject to capacity limits and all sources of revenue for commercial theatre production (tickets sales, concessions, coat check, etc) are non-existent or severely limited.

On May 8, 2020 the Minister of Canadian Heritage announced a new COVID-19 Emergency Support Fund. \$198.3 million was promised to the beneficiaries of arts and culture funding through existing programs as well as other organizations with demonstrated needs. The commercial theatre sector raised concerns with Canadian Heritage that the commercial theatre sector was ineligible for emergency relief under the fund. Despite months of meetings with ministers, members of parliament, political and department staff, explaining the dire nature of the situation, the commercial theatre sector remains ineligible for any support from Canadian Heritage. Meanwhile, the emergency arts and culture fund has been substantially increased, a government-backed insurance program has been implemented to support the for-profit film and television industry and additional programs have been implemented to support the live music, film and media sectors. All necessary and critical measures.

THE REST OF THE INDUSTRY

Peer markets in New York, London and Australia have received essential supports from federal governments throughout the pandemic, augmenting existing programs that contribute to the sustainability and vitality of the commercial theatre sector.

As an example, the Broadway and North American touring productions of *Come From Away* received \$10 million USD from the Shuttered Venue Operators Grant (SVOG) program in the United States.³

The Australian production of *Come From Away* received AUD \$1,656,346 from the Restart Investment to Sustain and Expand (RISE) Fund in Australia.⁴

The London production of *Come From Away* has benefitted from tax relief measures implemented by the United Kingdom government and is eligible for support under the Culture Recovery Fund: Emergency Resource Support.⁵

² Visitors who travel to Ontario to see a show spend an additional \$10 locally for every dollar they spend on a commercial theatre ticket; visitors represent at least 50% of commercial theatre goers in Ontario;

³ <https://www.sba.gov/funding-programs/loans/covid-19-relief-options/shuttered-venue-operators-grant>

⁴ <https://www.arts.gov.au/funding-and-support/rise-fund>

⁵ <https://www.gov.uk/government/groups/culture-recovery-board>

IN CANADA

In the Summer of 2021, representatives from the Canadian Commercial Theatre League and Mirvish Productions met with representatives from the Ministry of Heritage. During that meeting, staff from the Ministry articulated that the prevailing opinion at Heritage was that commercial theatre did not contribute to Canadian culture.

Come From Away reopened at the Royal Alexandra Theatre in Toronto on December 15th, 2021, with no support from Canadian Heritage and an investment of \$1.5 million in private money. As the Omicron variant descended in Canada, the commercial theatre sector urgently pleaded for support from Canadian Heritage to ensure *Come From Away* could withstand the impact of COVID-19 and inevitable performance cancellations. The sector pointed to the models of support in the United States, United Kingdom and Australia, all of which provided significant support to this Canadian musical. Provincially-imposed capacity restrictions, COVID-19 cases amongst the cast, and a lack of emergency relief and support from Canadian Heritage forced the Canadian producers to make the excruciating decision on December 27th, 2021 to permanently close the Toronto production of the most successful Canadian musical in history.

Productions on Broadway, in London, on tour across North America and in Sydney continued due to substantial local, federal and provincial relief and support.

WHAT WAS LOST

COME FROM AWAY TORONTO — BY THE NUMBERS:

- More than one million patrons attended a performance during the Toronto run, February 13, 2018 to March 13, 2020 and December 15 to 22, 2021, at the Royal Alexandra Theatre.
- Box office sales surpassed of \$115,000,000, including over \$15,000,000 in HST
- Estimated economic impact to the Toronto economy of \$920,000,000
- The show created 9,000 employment weeks for cast, stage managers, musicians, crew members and front of house team members.

WHAT'S AT RISK

HARRY POTTER AND THE CURSED CHILD TORONTO:

- The Canadian production of internationally-acclaimed *Harry Potter and the Cursed Child* is set to premiere at the CAA Ed Mirvish Theatre on May 31, 2022
- The production will employ:
 - 35 actors
 - 39 crew members
 - 7 stage managers

- 35 front of house personnel
- 10 admin/marketing/production personnel
- The production will attract:
 - 12,832 audience members each week, and 654,432 a year, approximately half of which will be considered tourists
- The production will generate:
 - Nearly \$100,000,000 in ticket sales in one year of performances
 - Approximately \$470,000,000 of additional economic impact as a result of tourism spending
 - Approximately \$11,000,000 in HST from ticket sales

PRE-PANDEMIC, live commercial theatre was inherently risky

- The only sources of funding are private capital and revenue from tickets sales and direct theatre spending (concessions, merchandise, coat-check, etc)
- For more than a decade, the industry has been at a competitive disadvantage to neighbouring markets that enjoy tax relief and tax credit schemes that lure productions (and the resultant jobs and tourism dollars) away from the Canadian marketplace

IN THE ERA OF COVID, in addition to the above, live commercial theatre:

- Suffered the loss of insurance coverage for pandemic-related business interruption
- Suffered the lack of financial support, communication and outreach from all levels of government
- Incurred additional expenditure to remount productions and implement heightened health and safety measures for audiences, staff, artists and other theatre personnel
- Suffered reduced revenue potential as theatre re-opened with capacity limits in place, without any subsidizing of lost potential revenue
- Suffered a drop in consumer confidence as provincially mandated gathering limits, capacity limits and lockdowns have dissuaded people from attending live events.

Without urgent and sustained relief from Canadian Heritage the recovery of the live commercial theatre sector will remain in serious jeopardy.

RECOMMENDATIONS

Recommendation for Eligibility for Emergency Support for the Commercial Theatre Sector

ISSUE: The Canadian commercial theatre sector remains ineligible to access any COVID-19 relief administered by Canadian Heritage including \$1.9 billion budgeted in 2021 to help support the arts, culture, heritage and sport sectors. We have incurred numerous pandemic expenses due to cancelations, additional rehearsals to accommodate cast, musician and crew replacements, due to departures from the industry, refurbishment of our spaces and implementation of all necessary health and safety protocols, which change with each new stage of the pandemic, and

marketing and advertising costs associated with re-building consumer confidence that it is safe to return to the theatre.

In the United States, United Kingdom and Australia federally administered COVID-19 relief for the arts and culture sectors was not restricted to not-for-profit theatre companies, eligibility included commercial theatre producers and presenters.

RECOMMENDATION: Expand the eligibility for access to Canadian Heritage COVID-19 emergency support funds to the commercial theatre sector, ensuring the sector is able to apply for funds to support expenses and losses from March 2020 up to and including the present period.

Recommendation for inclusion in a Government Backed Insurance Program

ISSUE: Since the outset of the COVID-19 pandemic, insurers have cancelled coverage of business interruption expenses due to pandemic related causes. This significantly increases the risk of presenting theatre that solely relies on box office revenue to pay expenses. Under continuing threat of actor/musician/crew illness, government mandated shutdowns and capacity limits, it becomes very difficult to have the confidence to rehearse, build, open and run productions.

MODELS: Cognizant of these risks in the for-profit film and television industry, Canadian Heritage funded The Short-Term Compensation Fund for Canadian Audiovisual Productions (STCF) administered by Telefilm Canada.⁶ Through the Fund, Telefilm Canada indemnifies eligible producers for reasonable Canadian production costs directly caused by an interruption of more than one day in filming or the producer's abandonment of the production prior to the end of filming due to a confirmed diagnosis (COVID-19) of an Actor or Director declared on the insurance policy covering the project or any confirmed outbreak (COVID-19) on set that requires a complete production shutdown in accordance with current standards required by the applicable authorities.

The Government of the United Kingdom implemented the Live Events Reinsurance Scheme offering a cost indemnification insurance program which makes coverage available against the cancellation, postponement, relocation or abandonment of events due to new UK Civil Authority restrictions in response to COVID-19. The commercial theatre sector was eligible to purchase this interruption coverage guaranteed by the government.

RECOMMENDATION: In order to mitigate risk and establish industry confidence to rehearse, build, open and run theatrical productions, immediately establish a short-term compensation fund, similar to the STCF, for the commercial theatre sector.

⁶ <https://telefilm.ca/en/financing/short-term-compensation-fund-for-canadian-audiovisual-productions>

Recommendations for Tax Credit Relief and Rebates

ISSUE: The Canadian commercial theatre industry is (and has been for more than a decade) at a competitive disadvantage with sectors in the UK and several US States, where tax credit programs offering credits and/or rebates for eligible expenses on labour and production serve as major incentives for producers and investors. A tax credit program providing 20-25% tax credit/rebate on labour and production capital expenses for domestic productions would jumpstart the live performance sector coming out of the COVID-19 pandemic. It would provide sustainable funding to allow the sector to once again compete as one of the top destinations for live production and performance in the world.

MODELS: Existing film and television tax credit programs administered by the federal and Ontario governments and commercial theatre tax credit programs in a number of American states, including New York, Illinois, Ohio and Louisiana, provide a blue print for a competitive Canadian commercial theatre tax credit program. The UK has a comprehensive federal Theatre Tax Relief program in addition to a COVID relief program via a reduction of VAT for theatres. The Governor of New York recently announced a proposed doubling of the state New York City Musical and Theatrical Production program tax credit from \$100 million to \$200 million, recognizing the importance of rebuilding and sustaining the commercial theatre sector to the economy of New York City.

RECOMMENDATION: Implement a tax Credit/Rebate program in similar scope to the existing Canadian Film or Video Production Tax Credit and Ontario Film and Television Tax Credit, a refundable tax credit on labour expenditures and production costs for live productions produced, co-produced or presented by Canadian-based companies. Although, a new program could be created, the existing Ontario cultural media tax credit program facilitated by Ontario Creates or other existing harmonized provincial programs could be adapted to include live performance (as is the case in the State of Ohio) to expedite the availability of these credits to Canadian producers and presenters.

Support for Encouraging Diverse Voices in the Canadian Commercial Theatre Sector

ISSUE: One of the three purposes of the Canadian Commercial Theatre League is to foster a more inclusive industry through mentorship and outreach programs for members of IBPOC communities, with the goal of increasing representation and access in producing and management positions. Budget 2021 proposed to provide \$60 million over three years, starting in 2021-22, to the Canada Media Fund to increase support for productions led by people from equity deserving groups working in the Canadian audiovisual industry. The Canadian commercial theatre sector has not received support for such initiatives in the sector.

RECOMMENDATION: Provide financial support for opportunities for equity deserving producers and management to build skills and experience, and to support greater diversity in the commercial theatre sector.

Support for the recommendations proposed by the Creative Industries Coalition

ISSUE: The Canadian commercial theatre sector cannot create first class theatre productions without the extraordinary actors, musicians, crews, designers and practitioners that make, design, facilitate and perform the art. The sector needs to retain highly skilled labour to continue to produce the work and nurture the next generation of theatre practitioners. Members of the unions are suffering as a result of the devastating impacts of COVID-19 and current producers and presenters are experiencing challenges attracting new talent as a result of the sustained uncertainty in the industry. The live arts sector was the first to close and will be the last to fully re-open. We must ensure non-employees, contractors and occasional workers are receiving the required financial and wellness supports to endure this tumultuous period.

RECOMMENDATION: Adopt the recommendations proposed by John Lewis, International Vice-President and Director of Canadian Affairs for the International Alliance of Theatrical Stage Employees, presented to the Standing Committee on Canadian Heritage on February 2, 2022 on behalf of the Creative Industries Coalition.

We welcome the opportunity for further discussion and hope the commercial theatre sector in Canada will be recognized for the vital role it plays in supporting arts and culture, good paying jobs and economic development across the country. We remain grateful for the support the Government of Canada has provided to the arts and culture community and hope our recommendations are worthy of support and implementation so that we can receive the necessary supports to continue our contributions to country and community.

Yours truly,

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The Canadian Commercial Theatre League exists to:**ADVOCATE**

- Advocate on behalf of our members before federal, provincial and municipal governments on policy that affects our industry (such as taxation, funding and economic development).

EDUCATE

- Create and administer education and mentorship programs for emerging commercial producers.
- Liaise with college students, creating mentorship opportunities and bridges from educational to professional environment.

FOSTER EQUITY & INCLUSIVITY

- Foster a more inclusive industry through mentorship and outreach programs, with the goal of increasing representation and access in producing and management positions.

Mirvish Productions

Mirvish Productions is Canada's largest commercial theatre production company. The company owns and operates four major downtown Toronto theatres.

Every year, Mirvish Productions produces and presents dozens of plays and musicals, chosen from the best theatre originating in Canada, New York, London, Australia and beyond. The company programmes two subscription seasons: the Main Season, which offers popular, large-scale productions, and the Off-Mirvish Season, which specializes in smaller more challenging productions. It also programmes many stand-alone shows of new works and revivals, supplemented with special concert engagements of dance, music and comedy.